

MAY 13 1993

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

In the Matter of

The Accounting and Ratemaking
Treatment for the Allowance for
Funds Used During Construction
(AFUDC)

CC Docket No. 93-50

COMMENTS

OF

THE SOUTHERN NEW ENGLAND TELEPHONE COMPANY

The Southern New England Telephone Company (SNET), respectfully submits the following comments in response to the Notice of Proposed Rulemaking (NPRM) in this proceeding.¹

In the NPRM the Federal Communications Commission (Commission) seeks comments on its proposed changes to the Part 32 and Part 65 rules relating to the accounting and ratemaking procedures for the Allowance for Funds Used During Construction (AFUDC). The Commission is proposing to bring the Part 32 rules in conformity with Generally Accepted Accounting Principles (GAAP). Specifically, the Commission proposes to eliminate the distinction between short term and long term plant under construction, to capitalize AFUDC at the cost of debt on all construction, to

¹ In The Matter of The Accounting and Ratemaking Treatment for the Allowance for Funds Used During Construction (AFUDC), CC Docket No. 93-50, Notice of Proposed Rulemaking, released March 22, 1993.

include all plant under construction in the rate base, and to include the amount of AFUDC capitalized as a revenue requirement reduction for the period it is capitalized.²

The Commission has considered various elements of the current NPRM in other proceedings. SNET believes that changing an existing rule that has been thoroughly and logically addressed in prior proceedings is inappropriate, especially in light of the more pressing issues (e.g., competition, infrastructure development) facing the telecommunications industry and the Commission. SNET supports the continuing efforts of the Commission to bring the Part 32 Rules in conformity with GAAP. However, when the Commission's rules have diverged from GAAP for years, a rule change which merely changes a bookkeeping entry with no real dollar impact on the cost structure of a

Similarly, the Commission has argued previously that to include all plant under